102D CONGRESS
*1st Session*
HOUSE OF REPRESENTATIVES
REPORT
102-273

# FEDERAL SUPPLEMENTAL COMPENSATION ACT OF 1991

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OCTOBER 24, 1991.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

## REPORT

together with

## MINORITY VIEWS

[To accompany H.R. 3575]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3575) to provide a program of Federal supplemental compensation, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 32, line 20, insert ", and" before "on".

Page 33, line 9, strike "$7,700" and insert "$7,700 ($7,000 effective on and after January 1, 1997)".

Page 33, line 12, strike "1991" and insert "1992".

Page 34, strike the table following line 7 and insert the following:

| For fiscal year: | Increase in outlays: | Increase in receipts: |
|---|---|---|
| 1992 | $3,415,000,000 | 0 |
| 1993 | (23,000,000) | $677,000,000 |
| 1994 | (20,000,000) | 886,000,000 |
| 1995 | (20,000,000) | 715,000,000 |
| 1996 | (15,000,000) | 1,354,000,000 |

59-006

H783-19

# I. INTRODUCTION

## A. PURPOSE AND SCOPE OF THE BILL

The Committee on Ways and Means completed action on H.R. 3575 on October 22, 1991. The primary purposes of the bill are: (1) to make extensions of benefits to long-term unemployed workers more widely available; (2) to restore unemployment insurance for ex-servicemembers to the same levels civilians receive; and (3) to establish an advisory council on unemployment insurance.

## B. BACKGROUND AND NEED FOR LEGISLATION

During the last economic cycle, the economy reached its peak around June 1990 when the seasonally adjusted civilian unemployment rate bottomed out at 5.3 percent. During the recession, the civilian unemployment rate rose to 7.0 percent in June 1991 and has fallen only 0.3 percentage point since June. Today, if the unemployment rate were 5.3 percent again, nearly 2 million more workers would be employed. Total unemployment in September stood at 8.4 million workers, and over one million of these workers have been out of work more than 26 weeks.

The current economic situation is mixed, which has led some economists to speculate the recession has ended, while others fear a "double dip," i.e., another recession immediately after the 1990–1991 recession. The Commerce Department's preliminary estimate of growth in real Gross National Product for the second quarter of 1991 was a positive 0.4 percent, but it was revised to a negative 0.5 percent, making three consecutive quarters of decline. Many economists predict positive real economic growth in the third quarter, but a recent Federal Reserve Board of Governors report on economic activity called the "Beige Book" shows business stagnating.

Recent economic news tells the story. Industrial production has stagnated, increasing a scant 0.1 percent in September. Real average weekly earnings increased by only 0.1 percent, but were still 0.6 percent below last year. U.S. automobile sales plummeted to a 5.5 million vehicle annual pace, down from 6.5 million last year in early October. Consumer credit fell at an annual rate of 2.1 percent, and loans for automobiles were off at an annual rate of 8.6 percent in August. New factory orders fell 1.9 percent in August after rising a record 6.1 percent in July. Real construction spending was flat in August. Personal incomes rose 0.5 percent in August, but consumer spending increased only 0.1 percent as consumers retrenched. The number of poor persons in the United States jumped by two million in 1990 as the official poverty rate rose from 12.8 percent in 1989 to 13.5 percent in 1990. Consumer confidence fell for the third consecutive month in August. Initial claims for regular state unemployment benefits jumped above 450,000 again in the most recently reported week, and the seasonally adjusted insured unemployment rate for the regular state program rose by 0.1 percentage point to 3.2 percent.

The Committee received convincing testimony that the Unemployment Insurance (UI) system is not working as well as it has in the past. First, about one-third fewer workers have been receiving unemployment benefits during this recession compared to the

1970s, severely damaging the system's counter-cyclical effectiveness. Second, witnesses testified that the Federal-State Extended Benefits (EB) program is nearly dead. Only eight States plus Puerto Rico were activated under this program in the midst of the 1990–1991 recession compared to all States during the brief recession of 1980. Presently, only Puerto Rico is eligible for EB. Third, the Federal government has not as yet enacted a temporary extension of unemployment benefits despite having done so in response to every recession since Harry Truman was President, except the brief 1980 recession when the Extended Benefits program worked effectively.

The Federal Supplemental Compensation Act aims to deal with many of the problems identified in hearings held by the Committee in 1991. First, the bill would respond to the need for extended benefits for long-term unemployed workers by supplementing the Extended Benefits (EB) program with a Federal Supplemental Compensation (EUC) program. Second, the bill would allow States to provide benefits between academic years or terms to nonprofessional school employees. Third, the bill would restore to ex-military personnel the same 26 weeks of benefits available to civilians. Fourth, the bill would authorize a three-State job search demonstration project. Fifth, the bill would require the Secretary of Labor to report on methods for allocating unemployment insurance administrative funds to States. Sixth, the bill would create a quadrennial advisory council on unemployment compensation to study the system and make recommendations.

Currently, only about one percent of the 1.1 million workers who have been unemployed longer than 26 weeks receive EB. They reside in Puerto Rico. The new program probably would raise this proportion to about 90 percent. It would do so by providing 7 or 13 weeks in all States depending on the unemployment rate in each State.

Presently, the EB program is activated using the insured unemployment rate or "IUR," which is the percent obtained by dividing number of unemployed workers eligible for benefits by UI-covered employment. This measure never included workers who had run out of their benefits but were still unemployed. Many economists thought the IUR worked well until the fraction of job losers receiving unemployment insurance dropped well below 100 percent to about 80 percent. Even before that, however, the IUR had the ironic effect of deactivating EB in a State when substantial numbers of workers were running out of benefits, which reduced insured unemployment and therefore, the IUR.

To correct this downward bias, the bill would use the total unemployment rate or "TUR," which is the percent obtained by dividing the number of unemployed workers by the civilian labor force in each State. Although this measure has the disadvantage of including new entrants and reentrants to the labor force and job quitters in the numerator, workers who normally are ineligible for UI, it has the advantage of more accurately measuring labor market conditions faced by long-term unemployed workers in a State. In essence, it is a better proxy measure of the probability that a long-term unemployed worker cannot find another job. If that probabili-

ty is high, the bill would activate FSC in the State and long-term unemployed UI exhaustees would receive supplemental benefits.

Although some economists have speculated that the recession has ended already, the need for extensions of benefits will be even greater in the ensuing months. It is well known that the rate at which workers run out of benefits only starts to rise about 6 months after a recession begins and continues to rise for about 6 months after a recession is over. Since the number of workers running out of benefits began to rise only in the past few months, the largest need for extended benefits is likely to occur through the end of this year even if the recession has ended.

Some have pointed to an unemployment rate in September of "only" 6.7 percent to suggest that there is little need for an extension of benefits. Yet, testimony before the Committee showed that although the level of the unemployment rate has been lower during the 1990-1991 recession than the last five recessions, the rate of job loss in the 1990-1991 recession has been more severe than the average for the last five recessions. Certainly, the loss of nearly 2 million jobs indicates a serious recession by Post-World War II standards.

The provision allowing States to provide nonprofessional school employees unemployment benefits between academic years or terms is merely an option which State legislatures could exercise. This option was taken away by the Social Security Amendments of 1983 by a provision that was originally passed on the Senate floor with no hearings in either the House or the Senate. Before 1983, only nine State programs covered these workers: Alaska, District of Columbia, Hawaii, Montana, Puerto Rico, Rhode Island, Vermont, Virgin Islands, and Wyoming.

The provisions restoring the Ex-Servicemembers' benefits to their pre-1981 levels when ex-military personnel were treated the same as civilians probably helps close to 50,000 ex-military personnel in 1992. As under present law, those who leave the military who have an opportunity to reenlist are eligible for benefits when they return home. The Committee believes that leaving the military after a period of enlistment is not equivalent to quitting a civilian job, and therefore, these ex-military personnel should get unemployment benefits to aid them while they look for civilian work. In addition, the bill would reduce the number of continuous days of service required of activated reservists from 180 to 90 days, which would help some returning veterans of Operation Desert Storm to receive unemployment benefits.

A quadrennial advisory council would be established to study the system and make recommendations for improvement. It would evaluate the unemployment compensation program, including its purpose, goals, countercyclical effectiveness, coverage, benefit adequacy, trust fund solvency, funding of administrative costs, administrative efficiency, and any other aspects of the program. In addition, the Secretary of Labor would be required to analyze and report on methods used to allocate administrative funds among the States.

Financing for the bill is consistent with long-standing principles of counter-cyclical fiscal policy. The bill would be deficit-financed by about $3.415 billion in Federal borrowing in fiscal year 1992, but

then the entire cost of the bill, including the cost in fiscal year 1992, is paid for during the next four years. Total net outlays under the bill would be about $3.337 billion and total revenue would be $3.632 billion for a net deficit decrease of $295 million.

Contrary to what opponents might try to say, raising employer payroll taxes will not do great damage to our six trillion dollar economy. Not only is the effective date of the increased payroll taxes delayed until January 1993, but the increase is also temporary. Moreover, the tax increase is only $5.60 per employee per year. This amounts to a dime per week per employee.

Any amount of new budget authority, outlays, or receipts resulting from this bill would not be considered for any purpose under the Balanced Budget and Emergency Deficit Control Act of 1985. FSC benefits would be exempt from any sequestration order.

### C. SUMMARY OF PRINCIPAL PROVISIONS

All States would be eligible to provide Federal Supplemental Compensation (FSC) benefits to unemployed workers who have exhausted their regular benefits before November 3, 1991, but on or after March 1, 1991. The program would end on July 4, 1992.

There would be two tiers of additional weeks of eligibility for FSC benefits. The number of weeks of benefits payable to an unemployed worker in a particular State would be determined by the total unemployment rate (TUR—the ratio of all unemployed workers to all workers in the labor force) in that State during the preceding six months. Seven or 13 additional weeks of benefits would be provided in States with unemployment rates of at least 6 percent but less than 7 percent, or at least 7 percent or greater, respectively.

Once a State had "triggered on" for a 7 or 13 week period of FSC benefits, the State would remain triggered on for at least 13 weeks, even if its TUR dropped during that period. Also, once an unemployed worker became eligible for 7 or 13 weeks of FSC benefits, the worker would be paid for all weeks to which he was entitled, even if the State "triggered off" or the program expires before the worker had received the full number of weeks of benefits.

The nonprofessional school employees' provision would allow States the option to pay benefits to nonprofessional employees of educational institutions between academic years or terms if they are eligible otherwise.

The ex-servicemembers' provision would make a permanent change to provide unemployment benefits for ex-servicemembers' on the same basis as benefits are provided to unemployed civilians. Unemployed veterans of Operation Desert Storm and other ex-servicemembers would have a waiting period of no more than one week and would be eligible for a full 26 weeks of regular benefits (versus a 4 week wait and only 13 weeks of regular benefits under current law). In addition, reserve members who have been called to active duty could receive benefits after serving a continuous period of 90 days, instead of having to meet the current 180 day requirement.

Other provisions would authorize: (1) a three-State job search demonstration project; (2) a Department of Labor report analyzing

methods for allocating unemployment insurance administrative funds to States; and (3) a quadrennial advisory council on unemployment compensation.

All FSC benefit costs would be paid for through a temporary increase in the Federal unemployment taxable wage base from $7,000 to $7,700 from 1993 through 1996 and an extension of the 0.2 percent surtax for one year, through 1996. The taxable wage base would revert back to $7,000 in 1997.

Under current law, Federal agencies are authorized to notify the Internal Revenue Service (IRS) that a person or corporation owes a past due, legally enforceable debt to the agency. The IRS then is required to reduce the amount of any Federal tax refund due such person by the amount of the debt, and pay that amount to the agency. This program expires after January 10, 1994. The Committee agreed to permanently extend the tax refund offset program.

Any amount of new budget authority, outlays, or receipts resulting from this bill would not be considered for any purpose under the Balanced Budget and Emergency Deficit Control Act of 1985. FSC benefits would be exempt from any sequestration order.

The cost estimates for the bill are as follows:

[By fiscal years in millions of dollars]

| | 1992 | 1993 | 1994 | 1995 | 1996 | Total for 5 years |
|---|---|---|---|---|---|---|
| Outlays: | | | | | | |
| Federal Supplemental Compensation | 4,390 | 0 | 0 | 0 | 0 | 4,390 |
| Ex-Servicemembers | 105 | 115 | 120 | 120 | 125 | 585 |
| School Employees | 20 | 20 | 20 | 20 | 20 | 100 |
| Job Search Assistance | 0 | 2 | 0 | 0 | 0 | 2 |
| Total Outlays | 4,515 | 137 | 140 | 140 | 145 | 5,077 |
| IRS Nontax Debt Collection | −1,100 | −160 | −160 | −160 | −160 | −1,740 |
| Net Outlays | 3,415 | −23 | −20 | −20 | −15 | 3,337 |
| Revenues: | | | | | | |
| FUTA Revenue | 0 | 657 | 866 | 695 | 1,334 | 3,552 |
| School Employees | 0 | 20 | 20 | 20 | 20 | 80 |
| Total Revenues | 0 | 677 | 886 | 715 | 1,354 | 3,632 |
| Deficit Effect | 3,415 | −700 | −906 | −735 | −1,369 | −295 |

Note: In addition, $156 million of discretionary administrative monies could be appropriated.

Source: Congressional Budget Office.

## II. Explanation of Provisions: The Federal Supplemental Compensations Act of 1991

### A. FEDERAL SUPPLEMENTAL COMPENSATION (FSC) PROGRAM

*Present Law.*—Under present law, unemployed workers are paid up to 26 weeks of regular unemployment benefits financed by State unemployment taxes. The extended benefit (EB) program pays up to 13 weeks of additional benefits to workers who have exhausted their regular benefits. The EB program is a joint Federal-State program, half of which is financed by Federal unemployment taxes on employers and half by State unemployment taxes on employers.

Extended benefits are paid only when a State's insured unemployment rate (IUR—the ratio of unemployed workers claiming unemployment benefits to all workers in covered employment) is at least 5 percent and exceeds by 20 percent the average rate of unemployment in the State during the last two years. States with a 6 percent insured unemployment rate can choose to pay EB without meeting the 20 percent test. All but 12 State programs have elected this option.

*Explanation of Provision.*—All States would be eligible to provide Federal Supplemental Compensation (FSC) benefits to unemployed workers who have exhausted their unemployment benefits under existing programs. These benefits would be available between November 3, 1991 and July 4, 1992.

There would be two levels of weeks of eligibility for FSC benefits. The number of weeks of benefits payable to an unemployed worker in a particular State would be determined by the total unemployment rate (TUR—the ratio of all unemployed workers to all workers in the labor force) in that State during the preceding six months:

States with a TUR of at least 7 percent would be eligible to provide 13 weeks of benefits; and

States with a TUR of below 7 percent would be eligible to provide 7 weeks of benefits.

Once a State had "triggered on" for a 7 or 13 week period of FSC benefits, the State would remain triggered on for at least 13 weeks, even if its TUR dropped during that period. Alternatively, if a State's unemployment rate increases during that period, so that the State qualifies for a higher number of weeks, workers in that State would qualify for the additional benefits.

Also, once an unemployed worker became eligible for 7 or 13 weeks of FSC benefits, the worker would be paid for all weeks to which he was entitled, even if the State "triggered off" or the program expires before the worker had received the full number of weeks of benefits.

Unemployed workers who had exhausted their benefits under the regular unemployment program between March 1 and November 2 would be eligible to receive FSC benefits in States that had total unemployment rates of at least 6 percent.

*Effective Date.*—November 3, 1991.

WEEKS OF BENEFITS FOR STATES UNDER FSC PROGRAM

[Based on March–August 1991 Average TUR]

| 7 Weeks: | 13 Weeks: |
|---|---|
| Arizona[1] | Alabama |
| Colorado[1] | Alaska |
| Connecticut | Arkansas |
| Delaware | California |
| Georgia | D.C. |
| Hawaii[1] | Florida |
| Idaho | Kentucky |
| Illinois | Louisiana |
| Indiana | Maine |
| Iowa[1] | Massachusetts |
| Kansas[1] | Michigan |
| Maryland | Mississippi |
| Minnesota[1] | Montana |
| Missouri | New Hampshire |
| Nebraska[1] | New Mexico |
| Nevada | New York |
| New Jersey | Pennsylvania |
| North Carolina | Rhode Island |
| North Dakota[1] | Vermont |
| Ohio | West Virginia |
| Oklahoma | Puerto Rico |
| Oregon | |
| South Dakota[1] | |
| South Carolina | |
| Tennessee | |
| Texas | |
| Utah[1] | |
| Virginia[1] | |
| Washington | |
| Wisconsin[1] | |
| Wyoming[1] | |
| Virgin Islands[1] | |

[1]No reachback benefits in this State.

NOTE: This table uses the most recent 6-month moving average to classify States by the number of weeks they would have received if the bill had been in effect in November. This list could change each month if the bill is enacted. For example, if a State with 7 weeks experiences an increase in its unemployment rate over the next few months, it could move up to 13 weeks.

Currently, only Puerto Rico gets 13 weeks under the Extended Benefits program.

### B. JOB SEARCH DEMONSTRATION

*Present Law.*—Federal law is silent on eligibility conditions for unemployment benefits. However, under State law, all States require claimants to be able to work and available for work. Also, most States require the claimant to register with a local employment office and to seek work actively or to make a reasonable effort to obtain work.

*Explanation of Provision.*—The provision would authorize three State demonstration projects to assess the cost-effectiveness of intensive job search services for unemployment compensation claimants. Claimants who have at least 126 weeks of employment at $30 per week with their last employer in the last three years may be required to participate in an intensive job search program after they have received 5 to 10 weeks of regular State benefits. However, no more than five percent of the claimants for unemployment compensation in a State could be selected to participate. Workers with definite recall dates or those hiring out of union halls would not be eligible to participate.

Lack of compliance could lead to disqualification of up to 10 weeks of benefits. However, States may waive the requirement for participation if the individual shows good cause.

Participants would be entitled to a voucher worth the lesser of the average weekly benefit (about $167 nationwide) in their State of residence or the reasonable cost of providing the services. Costs of operating a job search program would be funded out of the Federal Supplemental Compensation Account.

Intensive job search assistance would include all basic employment services such as orientation, testing, a job-search workshop, services would involve periodically contacting the intensive job search assistance program staff, receiving follow-up assistance, and using resource centers and job search materials and equipment, such as telephones, job listings, and work processors for resume writing.

Demonstration projects would last for one year. States would be required to evaluate their programs and to submit interim reports to the Congress, with a final report due no later than five years after the commencement of each project.

*Effective Date.*—Date of enactment.

### C. EX-SERVICEMEMBERS' BENEFITS

*Present Law.*—Under Federal law ex-servicemembers are eligible for only 13 weeks of unemployment compensation after serving a 4-week waiting period. In addition, reservists must serve 180 continuous days on active duty to receive credit for their service.

*Explanation of Provision.*—This provision would make a permanent change to provide unemployment benefits for ex-servicemembers' on the same basis as benefits are provided to unemployed civilians. Unemployed veterans of Operation Desert Storm and other ex-servicemembers would have a waiting period of no more than one week and would be eligible for a full 26 weeks of regular benefits (versus a 4 week wait and only 13 weeks of regular benefits under current law). In addition, reserve members who have been called to active duty could receive benefits after serving a continuous period of 90 days, instead of having to meet the current 180 day requirement.

*Effective Date.*—Weeks of unemployment beginning on or after the date of enactment.

### D. NONPROFESSIONAL SCHOOL EMPLOYEES

*Present Law.*—Federal law prohibits States from providing unemployment compensation between academic years or terms to employees of educational institutions.

*Explanation of Provision.*—The provision would allow States the option to pay benefits to nonprofessional employees of educational institutions between academic years or terms if they are eligible otherwise.

*Effective Date.*—In the case of compensation paid for weeks beginning on or after the date of enactment.

### E. ADVISORY COUNCIL

*Present Law.*—Title IX of the Social Security Act requires the Secretary of Labor to establish a Federal Advisory Council on unemployment compensation. The number of members must not exceed 16, including the chairman. The Council's purpose is to review the Federal-State unemployment compensation system and to make recommendations for change to the Secretary.

The Council is appointed by the Secretary, and members consist of representatives of employers and employees, in equal numbers, and the public. The Council held its last formal meeting on April 22 and 23 of 1981. Its charter expired in 1986.

*Explanation of Provision.*—This provision would provide for the establishment of an Unemployment Compensation Advisory Council. The Council would be similar in function to the Social Security Advisory Council. It would be appointed every four years to examine the purpose, goals and functioning of the unemployment compensation system, and to make recommendations for improvement. Five of the members would be appointed by the President, 3 by the Speaker of the House in consultation with the Chairman of the Committee on Ways and Means, and 3 by the President pro tempore of the Senate in consultation with the Chairman of the Committee on Finance.

*Effective Date.*—Date of enactment.

### F. REPORT ON ALLOCATING ADMINISTRATIVE FUNDS

*Present Law.*—Federal law authorizes appropriations to assist States in the administration of their unemployment compensation laws. The Secretary of Labor certifies to the Secretary of Treasury for payment to States such amounts as the Secretary determines to be necessary for the proper and efficient administration of unemployment compensation during the fiscal year for which the payment is made. The Secretary of Labor's determination must be based on the population of the State, an estimate of the number of persons covered by the State's unemployment compensation law and the cost of proper and efficient administration of such law, and such other factors as the Secretary of Labor finds relevant. The Secretary of labor may not certify for payment a total amount which exceeds the amount appropriated for the fiscal year.

*Explanation of Provision.*—The Department of Labor would be required to send a report to the Congress with a proposal for revising the method for distributing administrative grants to States. The report would be required to include an analysis of various factors such as productivity, cost, workload levels, and simplicity.

*Effective Date.*—Date of enactment.

### G. FINANCING

*1. Extension of Program for IRS Collection of Nontax Debts Owed to Federal Agencies (sec. 6402(d) of IRC)*

*Present Law.*—Federal agencies are authorized to notify the IRS that a person owes a past due, legally enforceable debt to the agency. The IRS then is required to reduce the amount of any Federal tax refund due such person by the amount of the debt and pay that amount to the agency. The refund offset program applies with respect to debts of individuals and corporations. This program expires after January 10, 1994.

Before a refund can be offset under this program, the agency owed the debt is required to certify to the IRS that the debtor has been notified about the proposed offset and has been given at least 60 days to present evidence that all or part of the debt is not past due or not legally enforceable. The agency also is required to enter into agreement with the IRS prior to transmitting proposed offsets. If a refund otherwise due an individual is subject to offset both under this provision and because of past-due support under the AID to Families with Dependent Children (AFDC) program, the offset for AFDC past-due support is implemented first.

*Explanation of Provision.*—Permanently extend the tax refund offset program. Other than this permanent extension, the program would be unchanged.

*Effective Date.*--October 1, 1991.

*2. Increase in Federal Unemployment Taxable Wage Base and One-Year Extension of 0.2 Percent Surtax*

*Present Law.*—The Federal unemployment tax of 0.8 percent is paid by employers on the first $7,000 paid annually to each employee. Of the 0.8 percent tax rate, 0.6 percentage point is permanent and 0.2 percentage point is scheduled to expire at the end of 1995.

*Explanation of Provision.*—In 1993, the taxable wage base would increase from $7,000 to $7,700 and remain at $7,700 through 1996. In 1997, the taxable wage base would revert to $7,000. In addition, the 0.2 percent surtax would be extended for one year through 1996.

*Effective Date.*—The surtax extension would be effective on or after January 1, 1996. The increase in the Federal taxable wage base would be effective on or after January 1, 1993.

H. BUDGET COMPLIANCE

*Present Law.*—The Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Enforcement Act of 1990, provides that new outlays to meet an emergency requirement may be exempted from spending caps and from causing sequestration as a result of failure to meet pay-as-you-go requirements. Part C of the Act, in sections 251(b)(2)(D) and 252(e), provides that if the President designates a provision as an emergency requirement, and Congress also so designates in statute, then the spending authorized by any such provision will not be counted for purposes of the budget enforcement procedures.

*Explanation of Provision.*—Any amount of new budget authority or outlays resulting from the bill would not be considered for any purpose of the Balanced Budget and Emergency Deficit Control Act of 1985.

In compliance with the Rules of the House of Representatives, the Congressional Budget Office estimates of net outlays and revenues are included in section 503 of the bill.

*Effective Date.*—Date of enactment.

## III. Budget Effects of the Bill

### A. COMMITTEE ESTIMATE

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made: the Committee agrees with the estimate prepared by the Congressional Budget Office which is included below.

### B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the committee states that the letter from the Congressional Budget Office indicates that there is a change in budget authority and that there are no new or increased tax expenditures as a result of the bill.

### C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. Congress,
Congressional Budget Office,
*Washington, DC, October 24, 1991.*

Hon. Dan Rostenkowski,
*Chairman, Committee on Ways and Means,*
*House of Representatives, Washington, DC.*

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate of H.R. 3575, Federal Supplemental Compensation Act of 1991, as ordered reported by the Committee on Ways and Means on October 22, 1991.

While this bill would affect direct spending and receipts, it would not affect pay-as-you-go procedures because the provision contained in section 501 of the bill. According to that section, "any amount of new budget authority, outlays, or receipts resulting from the provisions of (and amendments made by) this Act shall not be considered for any purpose under the Balanced Budget and Emergency Deficit Control Act of 1985."

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

Robert D. Reischauer,
*Director.*

Enclosure.

#### CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 3575.
2. Bill title: Federal Supplemental Compensation Act of 1991.
3. Bill status: As ordered reported by the House Committee on Ways and Means on October 22, 1991.
4. Bill purpose: To provide a program of federal supplemental compensation, and for other purposes.

## 5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| Direct spending: | | | | | |
| Federal supplemental compensation: | | | | | |
| Estimated budget authority | 4,390 | | | | |
| Estimated outlays | 4,390 | | | | |
| Former members of the Armed Services: | | | | | |
| Estimated budget authority | 105 | 115 | 120 | 120 | 125 |
| Estimated outlays | 105 | 115 | 120 | 120 | 125 |
| Federal job search assistance: | | | | | |
| Estimated budget authority | | 2 | | | |
| Estimated outlays | | 2 | | | |
| School employees provision: | | | | | |
| Estimated budget authority | 20 | 20 | 20 | 20 | 20 |
| Estimated outlays | 20 | 20 | 20 | 20 | 20 |
| Estimated net revenues | | 20 | 20 | 20 | 20 |
| Permanent extension of provisions relating to collection of nontax debts owed to federal agencies: | | | | | |
| Estimated budget authority | −1,100 | −160 | −160 | −160 | −160 |
| Estimated outlays | −1,100 | −160 | −160 | −160 | −160 |
| Extension of FUTA surtax: | | | | | |
| Estimated net revenues | | | | | 878 |
| Increase in FUTA wage base: | | | | | |
| Estimated net revenues | | 657 | 866 | 695 | 456 |
| Authorization of discretionary appropriations: | | | | | |
| Unemployment administrative expenses | 155 | 0 | 0 | 0 | 0 |
| Advisory council | 1 | 1 | 0 | 0 | 1 |

Basis of estimate: The bill as ordered reported contains language defining eligibility that is ambiguous. CBO has prepared the above cost estimate based on Committee staff statements concerning intent.

*Federal Supplemental Compensation.*—H.R. 3575 would authorize a temporary federal supplemental compensation program. This program would provide two tiers of benefits to unemployed workers depending on a state's total unemployment rate (TUR). If a state's TUR equaled or exceeded 7 percent, then 13 weeks of additional benefits would be available in that state. If a state's TUR is less than 7 percent, then seven additional weeks of benefits would be available in that state. The Federal Supplemental Compensation program would be in effect from November 2, 1991 through July 4, 1992.

The estimated cost of this program is $4,390 billion in fiscal year 1992. This estimate assumes that the temporary program would pay benefits for approximately 25 million weeks of unemployment and that the average benefit amount would be $170 per person per week. The estimate was developed using a model that compares projected unemployment rates with the structure of rates that determine the two benefit tiers. The estimate is based on CBO's February 1991 economic assumptions that included a 6.6 percent unemployment rate for fiscal year 1992.

In addition, CBO estimates there would be additional administrative costs of $155 million in fiscal year 1992 to process the additional claims for the Federal Supplemental Compensation program.

*Former Members of the Armed Services.*—This bill would increase from 13 to 26 the number of weeks of unemployment benefits that ex-servicemembers could collect. The bill also would reduce the waiting period from four weeks to one week. This provision would be effective on the date of enactment. CBO estimates the cost of this provision would be $105 million in 1992 and would grow to $125 million in 1996.

*Federal Job Search Assistance Demonstration Program.*—H.R. 3575 would allow the Department of Labor to operate a one-year Federal Job Search Assistance Demonstration program in three states. Eligible claimants would be given a voucher worth their weekly benefit amount to purchase job search assistance from an approved provider. Claimants who have at least three years of experience with their last employer would be eligible to participate in a federal job search assistance program. Those workers with definite recall dates or who are being hired through a union hall would not be eligible. Beneficiaries would be limited to not more than five percent of the state's population of unemployment benefit claimants. Based on discussions with the Department of Labor staff, CBO estimates the cost of this demonstration would be $2 million in fiscal year 1993.

*School Employees Provision.*—H.R. 3575 would amend the Federal Unemployment Tax Act (FUTA) to allow states, at their option, to pay unemployment benefits to non-professional school employees between academic terms as long as they have reason to believe they would not be rehired the following academic year. States were permitted this treatment until 1983 when federal legislation eliminated it. At that time, 15 states had this provision in their unemployment programs. CBO estimates outlays would be increased by $20 million each year in fiscal years 1992–1996 as a result of this provision. For fiscal years 1993–1996, revenues would increase an estimated $20 million each year. This estimate assumes about half of the states that had this provision prior to 1983 would participate. Approximately, 24,000 beneficiaries would collect a weekly average benefit of $120 for about 8 weeks.

Benefits paid to state and local employees, while paid out of the unemployment trust fund, must be reimbursed by the state. These reimbursements by the states are accounted for in the federal budget as revenues. There is a one quarter lag between when benefits are paid and when the trust fund is reimbursed. Because most school employees work almost until the end of June, we assume benefits would be paid during the last months of the fiscal year. Therefore, the trust fund would be reimbursed in the following fiscal year. After the first year, the reimbursement would roughly equal the benefit payments and there would be no additional net effect on the federal deficit after fiscal year 1992.

*Permanent Extension of Provisions Relating to Collection of Nontax Debts Owed to Federal Agencies.*—This bill would extend permanently the ability of the federal government to recover nontax debts owed to federal agencies through offsets to tax refunds. Currently, the provision is set to expire on January 10, 1994. The savings to the federal government under this provision now are calculated using procedures under the Credit Reform Act of 1990. The estimate is based on recent collection information. In ad-

dition to the amounts shown in the above table, $10–$20 million a year would be collected for the Social Security accounts beginning in fiscal year 1994. The Social Security trust funds are off-budget. According to section 12201 of the Budget Enforcement Act of 1990 (Title XIII of the Omnibus Budget Reconciliation Act of 1990), these savings would not be part of the pay-as-you-go estimates.

*Extension of FUTA Surtax.*—H.R. 3575 would extend the 0.2 percent surtax imposed on employers under FUTA through December 31, 1996, one year beyond its expiration under current law. CBO estimates that extending the surtax would increase net revenues by $878 million in 1996 .

*Increase in FUTA Wage Base.*—H.R. 3575 would temporarily increase the FUTA wage base from $7,000 to $7,700 beginning January 1, 1993. Beginning January 1, 1997, the FUTA wage base would return to $7,000. In order to qualify for a reduced FUTA tax rate, the state taxable wage base must equal or exceed the FUTA wage base. Data from the Department of Labor shows that 17 states have a taxable maximum below $7,700 in 1991. CBO estimates that increasing the wage base to $7,700 would increase net revenues by $657 million in 1993 and $2,675 million over the 1993 through 1996 period.

*Advisory Council on Unemployment Compensation.*—Further, this bill would establish an Advisory Council on Unemployment Compensation similar to the Social Security Advisory Council. The council would be required to meet by February 1, 1992 and every fourth year thereafter. The council's first report would be due January 1, 1993. The function of the council would include reports to Congress regarding the counter-cyclical effectiveness of the unemployment compensation program, benefit adequacy, trust fund solvency, and administrative efficiency of the program. The council would consist of 11 members. Each member of the council would receive compensation including travel expenses and a per diem allowance. This bill would authorize appropriations for any staff support and technical assistance required by the council. Based on estimates for the Social Security Council and other councils, CBO estimates the cost would be $1 million in fiscal years 1992, 1993 and 1996. There should be no costs in fiscal years 1994 and 1995 because the council would not be required to meet.

6. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. The direct spending and receipts as shown above are not subject to pay-as-you-go procedures because of the provision contained in section 501 of the bill. According to that section, "any amount of new budget authority, outlays, or receipts resulting from the provisions of (and amendments made by) this Act shall not be considered for any purpose under the Balanced Budget and Emergency Deficit Control Act of 1985."

7. Estimated cost to State and local government: None.

8. Estimate comparison: None.

9. Previous CBO estimate: None.

10. Estimate prepared by: Cory Oltman and Maureen Griffin.

11. Estimate approved by: C.G. Nuckols for James L. Blum, Assistant Director for Budget Analysis.

## IV. Other Matters Required To Be Discussed Under the Rules of the House

### A. VOTE OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made: the bill, H.R. 3575 ordered favorable reported with an amendment in the nature of a substitute for the original text to the House of Representatives on July 30, 1991 by a recorded vote of 22 to 14.

### B. OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the need for this legislation was confirmed by the oversight hearings of the Subcommittee on Human Resources.

In the 102d Congress, the Subcommittee held a total of 5 hearings on unemployment insurance. The hearings were as follows:

On February 6, 1991, the Subcommittee held a hearing on Unemployment Insurance and the Recession (Serial 102-1).

On February 20, 1991, the Subcommittee held a hearing on Coverage and Finance Issues in the Unemployment Insurance System (Serial 102-7).

On February 26, 1991, the Subcommittee held a hearing on Long-Term Unemployed (Serial 102-2).

On February 28, 1991, the Subcommittee held a hearing on Job Search and Re-employment Services for the Unemployed (Serial 102-9).

### C. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

In compliance with clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings and recommendations have been submitted to this Committee by the Committee on Government Operations with respect to the provisions contained in this bill.

### D. INFLATION IMPACT

In compliance with clause 2(l)(4)(B) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the amendments are not expected to have any inflationary impact on the economy.

## V. Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

### Section 8521 of Title 5, United States Code

**§ 8521. Definitions; application**

**(a) For the purpose of this subchapter—**

(1) "Federal service" means active service (not including active duty in a reserve status unless for a continuous period of [180] *90* days or more) in the armed forces or the Commissioned Corps of the National Oceanic and Atmospheric Administration if with respect to that service—

(A) * * *

* * * * * * *

[(c)(1) An individual shall not be entitled to compensation under this subchapter for any week before the fifth week beginning after the week in which the individual was discharged or released.[

[(2) The aggregate amount of compensation payable on the basis of Federal service (as defined in subsection (a)) to any individual with respect to any benefit year shall not exceed 13 times the individual's weekly benefit amount for total unemployment.]

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## INTERNAL REVENUE CODE OF 1986

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### Subtitle C—Employment Taxes

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### CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

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SEC. 3301. RATE OF TAX.

There is hereby imposed on every employer (as defined in section 3306(a)) for each calendar year an excise tax, with respect to having individuals in his employ, equal to—

(1) 6.2 percent in the case of calendar years 1988 through [1995] *1996;* or

(2) 6.0 percent in the case of calendar year *1997* and each calendar year thereafter; of the total wages (as defined in section 3306(b)) paid by him during the calendar year with respect to employment (as defined in section 3306(c)).

* * * * * * *

SEC. 3304. APPROVAL OF STATE LAWS.

(a) REQUIREMENTS.—The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

(1) * * *

* * * * * * *

(6)(A) compensation is payable on the basis of service to which section 3309(a)(1) applies, in the same amount, on the same terms, and subject to the same conditions as compensation payable on the basis of other service subject to such law except that—

(i) * * *

(ii) with respect to services in any other capacity for an educational institution to which section 3309(a)(1) applies—

(I) compensation payable on the basis of such services [shall be denied] *may be denied* to any individual for any week which commences during a period between 2 successive academic years or terms if such individual performs such services in the first of such academic years or terms and there is a reasonable assurance that such individual will perform such services in the second of such academic years or terms, except that

(II) if compensation is denied to any individual for any week under subclause (I) and such individual was not offered an opportunity to perform such services for the educational institution for the second of such academic years or terms, such individual shall be entitled to a retroactive payment of the compensation for each week for which the individual filed a timely claim for compensation and for which compensation was denied solely by reason of subclause (I),

(iii) with respect to any services described in clause (i) or (ii), compensation payable on the basis of such services shall be denied to any individual for any week which commences during an established and customary vacation period or holiday recess if such individual performs such services in the period immediately before such vacation period or holiday recess, and there is a reasonable assurance that such individual will perform such services in the period immediately following such vacation period or holiday recess, [and]

(iv) with respect to any services described in clause (i) or (ii), compensation payable on the basis of services in any such capacity shall be denied as specified in clauses (i), (ii), and (iii) to any individual who performed such services in an educational institution while in the employ of an educational service agency, and for this purpose the term "educational service agency" means a governmental agency or governmental entity which is established and operated exclusively for the purpose of providing such services to one or more educational institutions, [and]

(v) with respect to services to which section 3309(a)(1) applies, if such services are provided to or on behalf of an educational institution, compensation may be denied under the same circumstances as described in clauses (i) through (iv), and

*(vi) with respect to services described in clause (ii), clauses (iii) and (iv) shall be applied by substituting "may be denied" for "shall be denied", and*

* * * * * * *

**SEC. 3306. DEFINITIONS.**

(a) * * *

(b) WAGES.—For purposes of this chapter, the term "wages" means all remuneration for employment, including the cash value

of all remuneration (including benefits) paid in any medium other than cash; except that such term shall not include—

(1) that part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to [$7,000] *$7,700 ($7,000 effective on and after January 1, 1997)* with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to [$7,000] *$7,700 ($7,000 effective on and after January 1, 1997)* to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

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SECTION 908 OF THE SOCIAL SECURITY ACT

[FEDERAL ADVISORY COUNCIL

[SEC. 908. (a) The Secretary of Labor shall establish a Federal Advisory Council, of not to exceed 16 members including the chairman, for the purpose of reviewing the Federal-State program of unemployment compensation and making recommendations to him for improvement of the system.

[(b) The Council shall be appointed by the Secretary without regard to the civil service laws and shall consist of men and women who shall be representatives of employers and employees in equal numbers, and the public.

[(c) The Secretary may make available to the Council an Executive Secretary and secretarial, clerical, and other assistance, and such pertinent data prepared by the Department of Labor, as it may require to carry out its functions.

[(d) Members of the Council shall, while serving on business of the Council, be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time; and while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per

diem in lieu of subsistence, as authorized by 5 U.S.C. 5703 for persons in government service employed intermittently.

[(e) The Secretary shall encourage the organization of similar State advisory councils.

[(f) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter such sums, not to exceed $100,000, as may be necessary to carry out the purposes of this section.]

*ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION*

*SEC. 908. (a) ESTABLISHMENT.—Not later than February 1, 1992, and every 4th year thereafter, the Secretary of Labor shall establish an advisory council to be known as the Advisory Council on Unemployment Compensation (referred to in this section as the "Council").*

*(b) FUNCTION.—It shall be the function of each Council to evaluate the unemployment compensation program, including the purpose, goals, countercyclical effectiveness, coverage, benefit adequacy, trust fund solvency, funding of State administrative costs, administrative efficiency, and any other aspects of the program and to make recommendations for improvement.*

*(c) MEMBERS.—*

*(1) IN GENERAL.—Each council shall consist of 11 members as follows:*

*(A) 5 members appointed by the President, to include representatives of business, labor, State government, and the public.*

*(B) 3 members appointed by the President pro tempore of the Senate, in consultation with the Chairman and ranking member of the Committee on Finance.*

*(C) 3 members appointed by the Speaker of the House, in consultation with the chairman and ranking member of the Committee on Ways and Means.*

*(2) QUALIFICATIONS.—In appointing members under subparagraphs (B) and (C), the President pro tempore of the Senate and the Speaker of the House shall each appoint—*

*(A) 1 representative of the interests of business,*

*(B) 1 representative of the interests of labor, and*

*(C) 1 representative of the interests of State governments.*

*(3) VACANCIES.—A vacancy in any Council shall be filled in the manner in which the original appointment was made.*

*(4) CHAIRMAN.—The President shall appoint the Chairman.*

*(d) STAFF AND OTHER ASSISTANCE.—*

*(1) IN GENERAL.—Each council may engage any technical assistance (including actuarial services) required by the Council to carry out its functions under this section.*

*(2) ASSISTANCE FROM SECRETARY OF LABOR.—The Secretary of Labor shall provide each Council with any staff, office facilities, and other assistance, and any data prepared by the Department of Labor, required by the Council to carry out its functions under this section.*

*(e) COMPENSATION.—Each member of any Council—*

*(1) shall be entitled to receive compensation at the rate of pay for level V of the Executive Schedule under section 5316 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the actual performance of duties vested in the Council, and*

*(2) while engaged in the performance of such duties away from such member's home or regular place of business, shall be allowed travel expenses (including per diem in lieu of subsistence) as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.*

*(f) REPORT.—*

*(1) IN GENERAL.—Not later than February 1 of the second year following the year in which any council is required to be established under subsection (a), the Council shall submit to the President and the Congress a report setting forth the findings and recommendations of the Council as a result of its evaluation of the unemployment compensation program under this section.*

*(2) REPORT OF FIRST COUNCIL.—The Council shall include in its February 1, 1994, report findings and recommendations with respect to determining eligibility for extended unemployment benefits on the basis of unemployment statistics for regions, States, or subdivisions of States.*

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SECTION 2653 OF THE DEFICIT REDUCTION ACT OF 1984

COLLECTION OF NON-TAX DEBTS OWED TO FEDERAL AGENCIES

Sec. 2653. (a) * * *

* * * * * * *

(c) The amendments made by this section shall apply with respect to refunds payable under section 6402 of the Internal Revenue Code of 1954 after December 31, 1985[, and on or before January 10, 1994].

## MINORITY VIEWS OF MR. ARCHER, MR. VANDER JAGT, MR. CRANE, MR. SCHULZE, MR. GRADISON, MR. THOMAS, MR. CHANDLER, MR. SUNDQUIST, MR. SHAW, MR. BUNNING AND MR. GRANDY

We share the Majority's concern for the plight of America's unemployed. Though the current unemployment level of 6.7 percent in no way approaches the 10.7 percent level reached during the 1982–83 recession, workers in many communities are facing hardship as their local economies remain stagnant or depressed. For some time now, Republicans have argued that Congress should enact legislation that stimulates economic growth and spurs job creation, but so far to no avail.

Congressional Republicans and the Administration have been ready to enact a responsible extension of unemployment benefits since early September. We could now pass the Michel bill, H.R. 3600, or something similar to it, and have benefits flowing to the long-term unemployed within a week or two. But the Majority insists on passing another bill—its third—that they know will be vetoed. Meanwhile, the people they claim to be helping are waiting for benefits.

We support reasonable efforts to give additional assistance to the unemployed and their families and those new benefits should be commensurate with the severity of the situation faced by unemployed workers and should not function to stifle job growth and inhibit the economic recovery. Like the Majority, we deplore the current unemployment level of 6.7 percent. On the other hand, it seems reasonable to point out that in light of unemployment levels over the past 15 years or so, this level of unemployment is not extreme. Between 1975 and 1986, unemployment fell below the current level of 6.7 percent in only two years. In seven of the twelve years, the average level of unemployment was over 7 percent, in one year it was over 8 percent, and in two years it was over 9 percent. Further, today's average unemployment spell of 15 weeks is still lower than the average spell even as recently as 1987.

In certain respects, this bill is a step forward from earlier proposals passed by the Committee. The overall cost of the bill is more reasonable than that of previous bills, and the financing mechanism is a serious attempt to meet the spirit, if not the requirements, of last year's budget act. We commend the Majority for responding to some of the objections cited by the President when he vetoed S. 1722, the previous unemployment bill. Even so, several problems still remain.

First and foremost, this bill proposes to raise $3.5 billion in revenue by expanding the unemployment tax wage base over the next five years. These are new taxes directly on employment that can only have a harmful effect on job creation at the very time we need to stimulate additional employment opportunities.

Second, the bill violates the Omnibus Budget Reconciliation Act of 1990 in several ways and distorts its intent in others. In its first year, the bill would result in a $3.5 billion increase in the deficit, a clear violation of the budget agreement. The self-executing budget act waiver is itself a budget act violation. In addition, the provision making non-tax debt collections permanent is credited as raising $1.7 billion over five years to help offset the cost of increased benefits. In fact, the President's FY 1992 budget already assumes continuation of this program in its baseline. As a result, these collections may not be scored by the Office of Management and Budget as new receipts.

Another budget act violation is that the Majority continues to stipulate that the Congressional Budget Office, and not the Office of Management and Budget, should be the official source of spending and revenue estimates. We continue to believe that the Majority should live up to its explicit agreement in the budget act that OMB is the official scorekeeper for budget purposes. The President thinks this point is so important that he has repeatedly said he will veto any legislation that attempts to supplant the role of OMB as official scorekeeper.

Beyond simple violations of the budget act, the bill contains an out-and-out assault on the act. The provision exempting the bill from the "pay-as-you-go" rules sets a precedent that Congress will be only too happy to follow every time it wants to spend more money. What is the point of a budget agreement if any time we face a financing difficulty we simply exempt ourselves from the agreement? Last year's hard fought agreement was intended specifically to prevent Congress from avoiding such tough financing decisions.

The relief provided by H.R. 3575's system of benefits does not, in our opinion, justify the bill's high price tag of higher employment taxes and a wrecked budget process. The benefits in this package are generous and humane but they need not be so expansive that they require us to discourage job growth and establish a precedent that could considerably damage prospects for economic recovery.

It is important to remember the context of what we are considering. Any program of temporary relief for the unemployed simply augments an existing unemployment compensation system that has already provided more than $24 billion in benefits to nearly 11 million workers this year. In response to the recession, these benefit levels increased by well over 40 percent from last year.

Given the relative size of the unemployment problem we now face, we believe the more moderate Michel bill, H.R. 3600, is preferable to H.R. 3575 in its current form. The Michel bill would provide nearly $2.5 billion in relief to the long-term unemployed by giving a minimum of 6 weeks of extended benefits to workers in all states who exhaust their regular benefits and 10 weeks in states with insured unemployment rates, adjusted to include exhaustees, above 5 percent. Unlike H.R. 3575, the Michel proposal does not call for new taxes on employment, yet includes revenues that fully pay for the benefits and meets the requirements of the budget act. Also unlike H.R. 3575, the Michel bill would be signed by the President and benefits for the unemployed could begin immediately.

We would all like to help the long-term unemployed during this difficult time, and we have proposed a way to do just that. But we cannot support a bill such as H.R. 3575 that gives generous benefits with one hand and takes away economic opportunities with the other.

BILL ARCHER.
GUY VANDER JAGT.
PHIL CRANE.
DICK SCHULZE.
BILL GRADISON.
BILL THOMAS.
ROD CHANDLER.
DON SUNDQUIST.
CLAY SHAW.
JIM BUNNING.
FRED GRANDY.

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